GOVERNMENT OF INDIA
COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:925
ANSWERED ON:29.07.2005
LIQUIDATION PROCESS QUESTION
Yadav Shri Sita Ram

Will the Minister of COMPANY AFFAIRS be pleased to state:

(a) whether nearly 5700 firms have been shut down and liquidation process of these firms takes 15 to 20 years;

(b) if so, the steps taken by the Department for interest earlier liquidation as the investors suffer; and

(c) the efforts made so far by the Department for earlier disbursal of amount to the investors?

Answer

MINISTER OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA)

(a) 6027 Companies were under liquidation as on 31.03.2004. According to a recent study, it takes an average of 10 years to complete the insolvency process in India.

(b) & (c) Part-VII of the Companies Act, 1956 deals with liquidation and winding up of companies. The Act was amended by Companies (Second Amendment) Act, 2002 to provide for a time bound process for winding up of companies. However, on account of a legal challenge to the above enactment, the relevant provisions of the above Amendment Act are not yet notified and the National Company Law Tribunal (NCLT) and the National Company Law Appellate Tribunal (NCLAT) envisaged to be set up under the Act to deal with, inter-alia, matters relating to liquidation and winding up, with transfer of the relevant jurisdiction of the High Courts to them, have not yet been constituted. With speedier winding up of companies as envisaged under the Companies (Second Amendment) Act, 2002, early settlement of valid claims would be possible.